3 TSX Dividend Stocks to Buy Right Now!

Description

Dividend stocks remain a top investment choice for obvious reasons. A company with a sound business model and strong fundamentals that pays a dividend provides investors an opportunity to earn a steady stream of recurring income as well as benefit from long-term capital gains. We'll look at three dividend-paying stocks on the TSX that you should buy right now.

Enbridge has a dividend yield of 7.4%

The first stock on this list is energy heavyweight **Enbridge** (TSX:ENB)(NYSE:ENB), which has a forward yield of 7.4%. Enbridge is a Dividend Aristocrat and has increased its payout at an annual rate of 10% since 1995.

ENB recently increased its dividends by 3%, despite a challenging 12-month period, as the energy sector grappled with falling demand and lower oil prices. However, Enbridge has a robust contractual-based business model that allows it to generate predictable cash flows across economic cycles.

The company expects to increase distributable cash flow between 5% and 7% in the next few years, which means investors can expect further dividend increases in the future. Enbridge's gas transmission and distribution operations are regulated and its liquids pipelines are fully utilized.

Its diversified base of cash-generating assets makes ENB a top dividend stock to buy and hold for the upcoming decade.

Fortis has a forward yield of 3.9%

Another Canadian giant on the TSX is utility company **Fortis** (TSX:FTS)(NYSE:FTS), a stock that has a forward yield of 3.9%. The utility behemoth continued to experience higher residential sales, which were offset by lower commercial and industrial sales amid the pandemic.

In 2020, around 83% of revenue was derived from residential sales, which are rate regulated. In Q4, retail sales were up 1% year over year due to favourable weather in Arizona. This was offset by a 3% revenue decline in the company's Other Electric segment due to reduced tourism activity in the Caribbean.

Fortis invested $4.2 billion into its energy systems last year, which was $400 million higher compared with 2019, increasing its rate base by 8%.

Last September, Fortis introduced a five-year capital plan amounting to $19.6 billion. This reflects around $4 billion of annual investment in utilities. The company CEO confirmed, "Virtually all of our planned investments are regulated and consists of a diverse mix of highly executable, low risk projects needed to maintain and upgrade our energy infrastructure."

The above-mentioned capital plan will help Fortis grow its rate base from $30.5 billion in 2020 to $40 billion by 2025, indicating an annual growth rate of 6%. Fortis is another stock that will keep growing its dividends, as it has done for the last 48 years.

Algonquin Power & Utilities

The final stock on the list is **Algonquin Power & Utilities**, a company that has a forward yield of 4%. AQN has a portfolio of high-quality utility assets that has enabled the company increase earnings and revenue at a fast clip. This, in turn, has allowed Algonquin investors to derive capital gains of over 90% in the last five years.

AQN expects its rate base to increase at a double-digit rate in the upcoming years, which will allow it to improve its top line and cash flows over the long term and support consistent dividend increases.

The Foolish takeaway

Investing $5,000 in each of these companies will help you generate $765 in annual dividend payments. If these TSX companies increase payouts at an annual rate of 7% in the next 10 years, your annual dividend income will increase to $1,500 by the end of the forecast period.

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2. NYSE:FTS (Fortis Inc.)
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